



Improvement of Strategic and Operative Planning System in the Republic of Serbia



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1. Summary

The need for visible and sustainable results in the areas of importance to the socio-economic development and systemic reforms at the national, regional, and local level and, on the other hand, fiscal constraints do give much leeway for investments and projects that do not contribute to it and do not generate an added value. It is very important that every Euro and Dinar is spent in the right way. This approach requires primarily the concentration of resources and avoidance of small projects in a number of areas to ensure that all aspirations are met. Therefore, it is necessary to improve strategic planning at the national, regional, and local level, to improve the identification and the selection of projects, their preparation and implementation, as well as the mechanisms for monitoring and evaluation. The better we manage these activities, the sooner we will move forward.

Through the strategic planning process the country sets its goals and priorities, together with the measures for evaluating the realization of these goals. Strategic planning is followed by development of certain strategies, by their action plans which describe the activities in detail, timelines, indicators, necessary resources, legislative and institutional framework for their implementation in order to achieve the defined objectives. In case of the Instrument for Pre-Accession Assistance (IPA), between 2014 and 2020 the basis for the planning will be the sector approach, which includes: defined national policies/strategies for each of the defined sectors; clearly defined and functional institutional framework with a leading institution at sector level; established mechanism for coordination of national institutions and donors; existence of medium-term budgetary perspective, connection of priorities to funding sources, established mechanism for monitoring the implementation of sector strategies and projects, and evaluation of their performance.

Serbian system of planning and public policy coordination is not fully developed, and reforms in the "core of the government" have so far been limited by scope and effects and thus require additional support and attention. The processes of formulating policies were arranged in inadequate ways, they were insufficiently coherent, while capacities in line ministries are weak and uneven. The legislative stage dominates in the overall cycle of public policies, while the stages of problem identification, analysis and formulation/development of policies are unregulated and under-developed¹. The planning system in Serbia is based on the Government's program, which is adopted during the formation of each new government, and on currently existing 91 sector and 14 cross-sector strategies. In practice, Government program does not foresee how the particular objectives and priorities will be implemented in practice, while most policy documents do not provide a clearly indicated strategy, they significantly overlap, do not contain action plans, a clear link to budgeting, or a clear system of monitoring their implementation and evaluation. The problem in the institutional framework is an inadequate mandate of the General Secretariat of the Government, the overlapping jurisdiction and underdeveloped structure of state bodies. Strategies cannot be implemented without the projects, and very little attention is focused on the strategic importance of projects, while the completeness of planning and technical documentation is unsatisfactory. Unfortunately, in Serbia there is no adequate system of monitoring and evaluation of the implementation of strategies, programs and projects. All these areas are facing the problem of insufficient number of qualified staff and absence of staff retention policy.

In the next medium term a guiding principle in defining the priorities should be the National Program for the Adoption of the EU Acquis 2014–2018 (NPAA). In addition, in order to ensure that the program of the Government (Keynote address of the Prime Minister) is an enforceable document in practice and to check the implementation of this document, it must be ensured that the General Secretariat/the Republic Secretariat for Public Policy prepares a plan for the

implementation of the Government programs based on the Keynote address of the Prime Minister. Preparations of the National Development Plan should begin three years prior to joining the EU, especially if the internally planned year of EU accession is 2021, while the improvement of the policy framework in all sectors should be completed by the end of 2016 and then additional adjustments should be made in accordance with the National Development Plan and European priorities for the period after 2021. It is necessary to define the relations between the bodies that make up the "core of the government" in relation to the improved system of strategic planning and to clearly establish the jurisdictions under the Law on Ministries in order to avoid overlapping. The institutional framework should be improved and developed, having in mind the requirements of the Structural Funds and the Cohesion Fund. It is necessary to ensure that the strategies and action plans include cost assessment and determine the mechanisms of national co-financing and pre-financing of EU-funded projects. In order to enable the available funds to be directed towards strategically important infrastructure projects, i.e. the projects that will contribute most to the achievement of national strategic goals and to avoid the difficulties and delays in the implementation of infrastructure projects, the future identification and prioritization of the infrastructure projects, regardless of the source of funding, should follow the Methodology for Infrastructure Projects Selection and Prioritization, which is an integral part of the document "National Priorities for International Assistance (NAD) 2014-2017 With Projections Until 2020". It is necessary to formally introduce the obligation to monitor and assess strategies, programs and projects and to establish an adequate institutional framework for this purpose. Additionally, in order for the entire system of strategic and operational planning to be functional, it is necessary to provide an adequate number of qualified civil servants and establish a staff retention policy.

It is particularly important to note that certain topics covered in this document will directly be the subject of negotiations and setting the standards in the Chapter 22: Regional Policy and Coordination of Structural Instruments coordinated by the European Integration Office.



2. Introduction

Strategic and operational planning of a country is based on the ability of the “core of the government” to think ahead and actively prepare for an expected scenario in the future, and on the ability line ministries and other government bodies to turn a strategic vision into implementable programs and projects. The question that arises is how to establish a strategic framework as a course of action, the best relationship between the authorities that make up the “core of the government”, line ministries, and other government authorities, what the role of civil society is, whether funds are sufficient for all purposes and how to perform the prioritization, all aimed at accomplishing more. Unfortunately, the problem is that the strategic and operational planning, which holds true for many other effective activities, are not always implemented as they should be. It is a waste of time and energy to make “grand” plans, and then behave in the same old way. The point is that good planning involves changes in the approach, institutional and organizational changes and adjustments, as well as acquisition of new knowledge and skills.

If the Government wants to promote investments, solve socio-economic problems, create a business environment that enables sustainable economic growth, achieve long-term positive demographic effects and successfully conduct negotiations with the EU, it will have to improve the strategic and operational planning and project management, while respecting principles of good governance. Conducting policies is a process in which policies (strategies) and the instruments for their implementation (e.g. budget, laws and regulations) are created, discussed, then adjusted and finally adopted by the Government or in the case of legislation by the National Assembly. In this respect, this paper will present a system of strategic planning and give an appropriate overview of the institutional framework for the creation and implementation, including financing, project preparation and management, monitoring and evaluation. In fact, all these elements have to meet certain criteria in order for the strategic planning system to be complete and functional.

System solutions for each of the presented stages are shown in the parts of the document which present recommendations. Although the solutions are formulated and explained very accurately, most of them require additional technical solutions and proposals for improvement in order to be applied in practice.

It is particularly important to mention that certain topics covered in this document will directly be addressed in the process of negotiations and setting the standards in the Chapter 22: Regional Policy and Coordination of Structural Instruments coordinated by the European Integration Office.

It is no coincidence that this paper was published at the time of the formation of the new Government. There is no doubt that the formation of the new Government provides an opportunity to improve the system of strategic and operational planning in order to achieve better results.

Currently there are several donor projects that deal with strategic and operational planning, and which, if properly used by the beneficiary state bodies, could significantly contribute to the implementation of the recommendations provided in this paper.

Since at the time of writing this paper the relation between the Republic Secretariat for Public Policy and the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat was not accurately defined, while

at the same time the paper envisages the possibility of relocating the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process to a special body, recommendations in this paper intended for the General Secretariat shall also apply to the Republic Secretariat for Public Policy.

3. Research methodology

The procedure for drafting of this paper included the following:

- Analysis of official documents;
- Informal consultations with stakeholders;
- Findings summarizing and recommendations proposal.

The analysis of official documents included strategies, laws, reports, prepared by state bodies and various projects that were financed by the International Development Assistance. The analysis included identification of the current situation, strengths and weaknesses of strategic and operational planning and recommendations for problem solving. The analysis of official documents started from a number of documents which examine certain phases of strategic planning in the Republic of Serbia. In addition, the author has worked for 10 years in the planning and coordination of international development assistance, which compensated the need for additional methods such as questionnaires, interviews, etc. After the draft paper had been prepared, the author informally consulted stakeholders about key findings to verify the credibility of these findings.

Based on the analysis of the official documents and consultations with the main stakeholders, the author presents a paper that addresses several important parts of strategic and operational planning (sector approach, strategic planning, institutional framework, human resources, project management, monitoring and evaluation). Each of these sections identifies and analyzes the shortcomings of the current system and makes recommendations for its improvement.

The publication of this paper makes it available to general public, and particularly to government bodies such as the General Secretariat of the Government/the Republic Secretariat for Public Policy, line ministries and the Office for European Integration, as well as civil society organizations interested in public administration reform. It is expected to improve understanding and awareness of strategic planning and its unbreakable connection with budget planning, project management, and appropriate institutional framework and human resources required for their full implementation.

4. Strategic planning and sector approach as a planning method for the period 2014–2020

Strategic planning involves a systemic process of anticipating the desired future and turning this vision into broadly defined goals and a series of steps to achieve them. Through the strategic planning process the country sets its goals, priorities and measures for evaluating the realization of such goals. Strategic planning involves the development of specific strategies and related action plans, which in more detail define the activities, timelines, indicators, necessary resources and institutional framework for their implementation in order to achieve the defined goals. In this

paper, strategic planning is considered to include the level of strategies and action plans, while operational planning includes preparation of programs, projects and other documents.

Sector approach to planning can be characterized as a process aimed at developing of agreed sector policies and strategies, a process which defines the way of joint work of the Government, donors and other relevant actors within a given sector. It is a practical approach to planning and management, and strengthens the links between sector policies, budgets, activities and results. The European Commission has supported the use of sector approach in planning the Instrument for Pre-Accession Assistance (IPA), as well as for the coordination of assistance for the period 2014-2020. In practice, the sector approach involves:

- defined national policies/strategies for each of the defined sectors;
- clearly defined and functional institutional setting with a leading institution at the sector level;
- an established mechanism of national institutions and donors coordination;
- existence of mid-term budgetary perspectives and connection of priorities with financing sources;
- an established mechanism of monitoring sector strategies and projects implementation and their performance assessment.
- In order to discuss the sector approach, the first step is to define a sector. The main criteria for identifying a sector are:
 - the importance of a sector for EU accession (e.g. the Copenhagen criteria, National Plan for the Adoption of the EU Acquis, Progress Report) and the national socio-economic development;
 - a sector should be broad enough to ensure it provides significant contribution to EU accession and socio-economic development goals, while at the same time, it should be narrow enough to provide focus of multi-year funding and to maintain the institutional coherence (by limiting the number and range of institutions and areas included);
 - the sector should have clearly established institutional framework, institutional leadership and responsibility, and ideally it should be one managing national institution;
 - the sector should have a clear connection to the sources of funding from the national budget and its planning.

The sectors defined in the “National Priorities for International Assistance (NAD) 2014-2017 with Projections until 2020”, adopted by the Government on November 8, 2013 upon the proposal of the European Integration Office, meet the specified criteria. These sectors are: 1. Justice, 2. Home Affairs, 3. Public Administration Reform, 4. Competitiveness, 5. Environment and Climate Change, 6. Energy, 7. Transport, 8. Human Resources and Social Development and 9. Agriculture and Rural Development. In addition to the nine sectors, the document deals with three thematic areas: a) civil society, b) culture c) media. Cross-cutting issues are Local/Regional Development and Anti-discrimination measure². In accordance with the requirements of sector approach, for each of these sectors it is necessary to define a strategic framework, institutional framework, a leading institution and coordination mechanisms for the implementation of the strategic framework, mechanisms for coordination of donor activities connection to medium-term budget planning and monitoring mechanisms for the implementation of sector policy and assessment of the effects of the implemented measures.

On the other hand, the Program Budgeting Model³ defines 24 sectors. A number of these sectors meet the requirements of sector approach (e.g. environmental protection, energy, mineral resources and mining), while the majority of them are defined according to the structure of the Government, i.e. individual ministries. But also, it is important that this document acknowledges the sector approach at the level of development assistance and compares it with the sectors defined in the document “National Priorities for International Assistance (NAD) 2014-2017 with Projections until 2020” and, in a way, indicates the interconnected separate sectors of the program budgeting.

5. Planning system and strategic framework

Current situation

The existence of a single strategic planning framework, based on a long-term vision and clearly defined priorities, measures and projects for their implementation, is essential for good governance and work of the Government, based on effectiveness, accountability, transparency and efficiency.

The Constitution broadly defines that the Government, among other things, shall establish and pursue policy, propose laws and other general acts to the National Assembly and also guide, coordinate and supervise the work of state administration authorities. The Law on Government (whose legal basis is clearly provided for in Article 135 of the Constitution) does not contain specific provisions on how the Government shall establish and pursue policy, except for a broad definition of Article 2 stating that the Government shall establish and pursue policy within the framework of the Constitution and the laws of the National Assembly⁴. Article 127 of the Constitution provides that a candidate for the Prime Minister shall present the Government Annual Work Program to the National Assembly (Keynote address of the Prime Minister) and propose the composition of the Government⁵. In practice, Keynote address of the Prime Minister is a kind of a vision taken from the election campaign and the coalition agreements but it neither predicts how the set goals and the priorities should be realized in practice, nor suggests a linkage with the sector strategies. Article 63 of the Law on Public Administration stipulates that the ministries and special organizations shall create their annual work plans in order to develop the Government Annual Work Program, and submit the reports on their work to the Government, at least once a year⁶.

The planning system in Serbia has been based on 91 sector and 14 cross-sector strategies. All the strategies are long-term, with or without action plans. When it comes to the sector and/or geographic concentration of priorities and the allocation of funds at the national level, the sector concentration is applied (for example, in case of transport and education). Geographic concentration is present in the case of the strategies of local economic development, strategies of many municipalities or strategies of the autonomous provinces. The analysis performed within the "Project Policy Coordination Support"⁷, whose beneficiary was the Government General Secretariat, has shown that less than 30% of all the reviewed documents had clearly stated strategies, over 25% had significant overlapping, about 25% had clear action plans, while less than 10% contained any form of performance assessment. Also, it has been suggested that less than 50% of the reviewed strategies should be maintained and updated. In addition, the 2013 Progress Report states "a lack of coherent sector strategies and strategic investment plans, which leads to poor development of a series of projects and still remains a serious problem in certain sectors⁸."

The five-year National Development Plan of the Republic of Serbia 1947-1951 contained clearly defined priorities, goals and indicators. It was implemented through one-year economic plans. The obligation to monitor the implementation was envisaged. Despite the ideological aspects, the document was of higher quality than most of the strategies nowadays.

Table 1. The number of strategies per sectors⁹

Sector	Number of sector strategies	Other comments
Justice	8	In addition to sector strategies, there are also 14 cross-sectoral strategies.
Home Affairs	14	
Public Administration Reform	8	
Environment and Climate Change	9	
Energy	4	
Transport	2	In some sectors new sector and cross-sector strategies are being prepared.
Competitiveness	17	
Human Resources and Social Development	25	
Agriculture and Rural Development	4	
Total	91	

On the other hand, in order to meet the standards of good practice and to fulfill the requirements of the sector approach, the minimum of requirements related to the content of the strategies is:

- A detailed and meaningful analysis, in order to enable the solutions to be proposed on the basis of clearly defined problems and their causes;
- A clear hierarchy among the priorities, goals, measures, activities and indicators for their achievement;
- A clear definition of the priorities, goals, measures, activities in order to enable a clear link with the funding sources;
- An action plan with the costs estimation and the institutional framework for implementation, monitoring, evaluation and reporting;
- The mechanisms of competent authorities coordination.

When it comes to defining the priorities, what is the major priority in Belgrade?:

1. Belgrade on Water Project;
2. Water Purification System;
3. Subway;
4. All of the above.

Which document influenced your choice?

Unfortunately, most of our strategies do not meet the above criteria, since there are no clear guidelines for their creation and they are not subject to detailed analysis prior to their adoption.

In practical and operational terms, the strategies are implemented through the Government annual planning, where the ministries, on the basis of Medium Term Work Programs, prepare their Annual Work Programs which are integrated into the Government Annual Work Program by the Government General Secretariat. A lack of strategic and operational planning is reflected in the fact that government's priorities are based on the Government Program (Keynote address of the Prime Minister), which does not stipulate how to implement something, and on the annual planning, which enables easy audit of the medium term priorities. In practice, this leads to a situation that in one year, the priorities are subsidies for farmers allocated per hectare while in the following year such subsidies are to be allocated per crop yield. If unclear priorities in the area of agriculture and the underdeveloped institutional framework are added to this example (e.g. the Paying Agency has not yet been accredited to make use of the IPARD funds), it is easy to conclude why the Netherlands with 1.9 million hectares of agricultural land¹⁰ exported 75 billion Euros worth of goods in 2012¹¹, while the Republic of Serbia with 3.4 million hectares exported¹² about two billion Euros worth of goods¹³.

The Government General Secretariat is currently preparing a Methodology for an integrated (strategic) planning model system. This methodology establishes the linkage between the strategic planning process and budgeting through a set of logically associated activities and terms which ensure the definition of the Government strategic priorities, the Medium Term Expenditure Framework, establishing a linkage between the Budget and the strategic (medium term) plans of state administration authorities and their "conversion" into the Government Annual Work Program. This document is a good chance to change and improve certain matters in the strategic and operational planning system.

Based on the aforesaid, the main problems related to the planning and the strategic framework are the following:

- there is no single strategic framework;
- it has not been defined how the Government Program (Keynote address of the Prime Minister) is implemented in practice;
- it is unclear how the priorities are defined;
- there is no clearly defined methodology for the development of sector strategies;
- a great number of strategies that are mutually conflicting and set unrealistically high goals;
- the planning system is based on annual planning, which allows an easy change of the medium-term goals.

At the EU level, the planning for a budget cycle that lasts for 7 years (presently from 2014 to 2020) shall begin several years before its commencement in analysis and reports (e.g. Report on Cohesion), defining a single strategic framework (Europe 2020), establishing a clear hierarchy between the strategic documents (the Partnership Agreement and the Operational Program), defining the principles (e.g. the concentration of funds, public participation, etc.) and the legal framework that defines funds management.

Recommendations for improvement of planning and strategic frameworks

As already mentioned, at this moment there is no single national strategic framework. Many will say that Serbia lacks an overarching strategic document in the form of the National Development Plan. However, this is no time for the preparation of the National Development Plan for several reasons:

- Due to the overlapping of competences, the preparation of this document would inevitably be politicized. In order to decide on the preparation of this document, it is necessary to specify the respective competences of the General Secretariat/the Republic Secretariat for Public Policies, the Ministry of Finance and the Serbian European Integration Office and to unambiguously verify the competence for the preparation of this document;
- Updated statistical data in certain areas are not available (e.g. social inclusion, the degree of regional development, etc.). To prepare such a document it is necessary to have the latest and comprehensive information on the basis of which a detailed analysis would be performed;
- In order to change something, we need to know where we have made mistakes, and what we have been doing well. In order to prepare the National Development Plan, it is necessary to carry out the preliminary impact assessment of the measures, incentives, budget financed projects;

- It is not the point to just prepare a document, but is necessary to have someone to monitor and evaluate its implementation. For this reason, before starting the document preparation, we need to determine who will monitor the implementation of the document and how it will be carried out;
- Even if such a document were prepared, it would have to be accompanied by a number of sector strategies and action plans. Current situation, which can be described as "multitude of strategies", does not support the preparation of the National Development Plan. In addition, in the following period, preparation and adoption of a great number of action plans in the framework of the pre-accession negotiations is expected, and that will require different dynamics compared to the dynamics of the National Development Plan designing;
- Implementation of the National Development Plan requires a development budget. Our current budget is not developmental but restrictive, since there is a reduction in the state expenditure for development programs and projects (e.g. funds for active employment program and measures, and thus the scope of these measures was reduced on several occasions). Furthermore, Serbia is in a period of a transition to program budgeting and the attention should be focused on how to successfully implement this process;
- As a future EU member state, Serbia will be obliged to align the strategic planning system with the requirements of the EC. Initially, it means a multi-year planning, which currently covers the period from 2014 to 2020, and if a seven-year cycle continues after 2020, and then the period from 2021 to 2027. If we now prepared the National Development Plan, we would be halfway the European road and got caught in a trap of planning something that would not be in line with the European policies for the new budget period.

Having in mind the aforesaid, the decision to prepare the National Development Plan, without previously removing the mentioned pitfalls, is wrong and such a document would be another in a series of partially applicable or inapplicable strategic documents. On the other hand, the necessity of prioritization requires the solutions that should be sought elsewhere. In the following medium term, the guideline in defining the priorities should be the National Plan for the Adoption of the EU Acquis 2014-2018 (NPAA). The NPAA will represent a detailed plan of legislative activities and the building up the institutions until the deadline set for achieving full internal readiness for the EU accession of Serbia in the context of the process of harmonization of the legislation with the EU Acquis. Because of the commencement of negotiations on the accession of Serbia to the European Union, this document will reflect the requirements and the methods for their implementation in the process of the negotiations on the accession to the EU and will include all the activities and reform processes, necessary to undertake in order to fulfill the requirements for EU membership. There is no doubt that the priorities arising from this document will result in funding a variety of needs in terms of building up or strengthening the institutions, socio-economic or the investment projects. But also, it is necessary to think about the necessity of prioritization in order to clearly define the developmental potentials of Serbia (it is impossible that everything is equally important) and at the same time to determine the direction of the future negotiations on the accession to the EU (as an illustration, if the energy sector were of a higher priority compared to the environmental sector, in practice, this would mean greater investments in the energy sector and at the same time it would direct the interim periods within the Chapter 27 – Environment - of the negotiations).

In addition, in order to facilitate the implementation of the Government program (Keynote address of the Prime Minister) and to verify the implementation of this document, it should be provided that the General Secretariat/the Republic Secretariat for Public Policy, based on the keynote address of the Prime Minister, shall prepare a plan for the implementation of the Government program. This document should be prepared for a period of up to four years and it should operationalize the goals and priorities specified in the Government program. The document would constitute a basis for the development of medium-term and annual plans of the ministries, as well as the Government Annual Work Program and it could be revised annually, if necessary. By creating such a document, a clear hierarchy between the documents would be established (Government

program→plan for the implementation of the Government program→medium-term plans of line ministries→annual plans) and the confusion between perennial and annual planning that currently exists would be avoided, which would also facilitate the work of the competent institutions. However, if we take into account that the Government has defined 2018 as a deadline for carrying out the alignment with the EU Acquis, a strong linkage between the Government program and the NPAA is imposed as a logical conclusion.

On the other hand, in order to complete this paper, we suggest that preparation of the National Development Plan should begin three years before joining the EU, especially if 2021 is an internally planned year of the EU accession. In this way, national priorities would be defined as guidelines for planning both Structural and Cohesion funds (the new term for these funds is the European structural and investment funds), which will constitute the greatest part of the investment budget available to the Republic of Serbia and the state budget as well.

In order to solve the problem of the strategies' poor quality and their mutual inconsistency, it is necessary to prepare a methodology for the development of the strategies and action plans. The methodology should define the content of the documents (e.g. compulsory presence of the indicators), the preparation method (e.g. compulsory participation of the civil society), time framework for preparing the strategies and action plans, the roles and responsibilities during and after the preparation, etc. An important element of this document should be the "methodology" of prioritization. In order to reduce a number of sector strategies and establish the optimal number of strategies across sectors, it is necessary to make a proper Government decision which would, for each of the sectors and thematic areas, define whether the sector shall have an over-arching strategy and what the sub-sector strategies shall be. The same decision should provide that a deviation from the established consolidation of the sector strategies shall be possible only with a prior approval of the General Secretariat/the Republic Secretariat for Public Policy and the European Integration Office. For example, instead of 25 sector strategies existing in the sector of human resources and social development, a framework strategy at the level of a sector and five sub-sector strategies arising from the framework one should be developed. Employment and Social Inclusion Development Strategy which will be developed during 2014 would represent a framework strategy. Employment, education, social inclusion, health and youth will be assigned one sub-sector strategy each. The improvement of the strategic framework in all sectors should be done by the end of 2016 in order to be ready for a mid-term audit of IPA and therefore deserve an increase in IPA funds and simultaneously create a sound basis for the planning system.

It is also necessary to adopt a Methodology of integrated planning system, which is being developed by the General Secretariat. This methodology should establish the linkage between the processes of strategic planning and budgeting through a set of logically associated activities and terms to ensure the definition of the Government strategic priorities, the Medium Term Expenditure Framework, the establishment of linkages between the budget and the strategic (medium-term) plans of state administration authorities and their "conversion" into the annual plan of the Government. It is critically important to ensure that this methodology takes into consideration the necessity of long-term planning and avoids the pitfalls of the current system, which is focused on the annual planning which would allow an easy auditing of medium-term priorities.

Having in mind that it was the methodology and guidelines that were mainly discussed above, the issue of the "strength" of the documents arises. In order to avoid the risk for the solutions in this document not to be implemented in practice, the framework of strategic and operational planning should be set at the level of law. As this document promotes a strong linkage between the system of strategic and operational planning and the EU funds use, the legal framework could be established in a law which would regulate both strategic and operational planning, the basics of the budget system and the management of overall financial resources, including the EU funds or in even two complementary regulations which would include strategic/operational planning, including the appropriate institutional framework on the one hand and the system of financial resources management on the other.

6. Institutional framework

Current situation

In the institutional setting, the system of planning at the national level involves several actors:

- The General Secretariat of the Government which carries out activities of creating and coordinating policies and monitoring their implementation;
- The European Integration Office, which carries out activities of coordinating policies of EU and coordination of planning the international development assistance;
- The Ministry of Finance, which carries out activities of budgeting, macro analyses and projections;
- Line ministries (and other bodies) which create policies and the legal framework as pertaining to their respective competences.

In the sense of structural reforms, during 2008, the Government established the Department of Planning, Monitoring and Policy Coordination within the General Secretariat. The establishment of this sector was the first step of changing the role of the General Secretariat from an administrative body to the key actor in creating and coordinating policies. However, the Annual Progress Report for 2012¹⁴ pointed out disadvantages of strategic planning and coordination policies in Serbia and the necessity of significant strengthening of structure and function of the General Secretariat¹⁵. The position of the Department of Planning, Monitoring and Policy Coordination in relation to the EU accession process of the General Secretariat seems perfect at first sight. The General Secretariat reports to the Prime Minister about its activities, and this sector, among other things, carries out activities of preparing instructions, coordination of preparation and consolidation of the material related to the Government Annual Work Program and the annual report on the Government work; renders professional assistance in preparing of annual operative plans and strategic documents of the ministries and special organizations; gives recommendations, in cooperation with the competent authorities, on compliance of budget plans with the adopted strategic documents and plans, on compliance of strategic documents and plans of the ministries and special organizations with the plans and priorities related to the European integration; prepares instructions and informative material intended for the ministries and special organizations on standards to be respected while preparing strategic documents and reports; develops standards and methodologies for implementation of the process of strategic planning of the Government and for implementation of the operative planning process and its linkage with the budgeting process; monitoring and reporting on achievement of general and specific goals contained in annual operative plans of the ministries and special organizations; development of standards and methodologies required for the Government work; preparation of methodology, analyses and recommendations for the annual process of strategic priorities defining; collection, processing and consolidation of the material related to the preparation of the draft list of medium-term and short-term strategic priorities decided by the Government; monitoring the application of the Government acts and impact assessment. Notwithstanding such impressively defined competences, in practice the activities of the General Secretariat are focused on daily technical tasks enabling operative work of the Government (preparation of the Government meetings, checking of the formal compliance of documents, etc.), while the strategic planning activities are not placed in the foreground. The situation with the number and quality of strategies, as well as the fact that there are six civil servants employed in the said sector who definitely cannot complete all the listed activities, clearly corroborates that.

The Draft of the Law on Ministries, predicted the establishment of the Republic Secretariat for Public Policies, which would, among other activities, be engaged into "analysis, identification of

needs and launching initiatives for making strategic documents that determine public policies; providing of harmonization of proposals of strategic documents that determine public policies in the process of their introduction; setting up initiatives for improvement of procedures for making strategic documents that determine public policies; preparation of proposals of strategic documents that determine public policies from the scope of several public administration bodies, as well as other activities prescribed by law¹⁶. Since at the time of writing this paper the relationship between this Secretariat and the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat was not accurately defined, while at the same time the paper envisages the possibility of relocating the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process to a special body, the recommendations in this paper intended for the General Secretariat shall also apply to the Republic Secretariat for Public Policy.

Besides, when it comes to the disadvantages of the planning system, the Opinion of the Commission on Serbia's application for membership in the European Union in October 2011 highlighted: "Despite these improvements, capability of the Government in relation to strategic planning of policies should be further developed. Coordination between the ministries and the agencies should be improved and the splitting into departments should be reduced [...] Capacities of the Government for planning and coordination of the policy should be seriously and thoroughly examined"¹⁷. The report of the International Monetary Fund for 2011 has also identified "the lack of wide political consensus, limited progress in implementation of structural reforms [...] shows why the reforms are delayed"¹⁸. "The strongest criticism of the planning system is determined in SIGMA report for 2010: "The fundamentals of creating an active policy and system coordination remains weak. There is no efficient core of the government, and a poor relationship of the central units leads to incapacity of revising the active policy, strategic thinking and efficient planning of work"¹⁹. SIGMA report from 2012 pointed out: "The capacity of the Government for coordination of policies is limited. Since 2000 onwards, all the Governments have ruled in coalition, which led to distribution of institutional and administrative competences among the coalition members. This influenced employment in the ministries and agencies and additionally disturbed the coherence of policies. The central system of policy planning is insufficiently developed and the quality of development of policies in ministries is poor. Generally speaking, the Government General Secretariat is institutionally too weak to be able to direct the policy towards greater effectiveness and quality of results"²⁰. The above said was confirmed in the Annual Progress Report from 2012: "It is necessary to strengthen the General Secretariat of the Government to make it capable of pursuing policies towards greater effectiveness and quality of results"²¹.

A special problem in the institutional framework is overlapping competences among state bodies. This statement can be illustrated by the example of the Fiscal strategy. Namely, the Budget System Law prescribes that the Fiscal strategy, prepared by the Ministry of Finance, establishes short-term and medium-term goals of the Government fiscal policy for the period of three consecutive fiscal years, starting from the fiscal year for which the Fiscal strategy is submitted. When considering the competences of the General Secretariat and the contents of the Fiscal strategy, as well as the fact that the Ministry of Finance defines short-term and medium-term goals of the Government fiscal policy based on the contribution of the line ministries, a conclusion is imposed that the distribution of competences between these two bodies is not fully defined. Also, it is not clear by which criterion it is the Article 54a of the Budget System Law that prescribes that the ministry competent for finances is to suggest to the Government the criteria for capital projects assessment, upon which the Government, at the suggestion of the European Integration Office, adopts the Methodology for Infrastructure Projects Selection and Prioritization.

When ministries are in question, for many years the Law on Ministries has enabled overlapping and/or politically agreed division of competences among ministries. Thus, for example, water issues (water supply and wastewater management) are dealt with by several ministries (currently five) and thus any ministry can propose a complete project for construction of wastewater plants (sewerage network and the plant). But then, when we talk about the co-financing of projects,

not all the ministries may finance everything, but only certain parts (currently the Ministry of Agriculture, Forestry and Water Management may co-finance only main sanitary wastewater collectors, while the sewerage system is subject to the competence of municipalities or a call for a tender opened by the Ministry of Construction and Urban Affairs or the Ministry of Regional Development and Local Government). When such a project is approved, it is not possible to determine who its project leader is and who is in charge of its management.

When discussing operative implementation and institutional governance of projects starting from their preparation to implementation and maintenance, the institutional framework is regulated differently in different sectors. In the transport sector, if we take into account road transport, these issues are dealt with by three line ministries, the Roads of Serbia, the Institute of Transportation CIP, the Highway Institute, the Department for Highways and Corridors of Serbia. In addition to these bodies, road traffic is dealt with by local authorities as well, in accordance with their competencies. On the other hand, when it comes to the environment sector, several ministries and public enterprises are dealing with project issues at the local level. The low level of absorption and problems in realization of projects suggest that neither of the institutional frameworks (complex in the case of traffic and underdeveloped in the case of the environment) is adequate enough in terms of efficient use of available resources.

In addition to such set structure, one of the projects implementation modalities, mainly of, those funded by the international financial institutions, is the Project Implementation Unit – PIU. However, there is no standardized structure and competence of these units, but several models: independent, with special legal status and budget, then as part of the ministry and without their own budget, or a combination of the two.

Finally, in regards to IPA programs, a new institution in the Government competent for contracting and financing of these projects is the Department for Contracting and Financing of EU Funded Programs of the Ministry of Finance. Over the next few years, this sector will stipulate IPA projects in all sectors, and then, within the preparation for the EU membership, it will be necessary to find the best solution for implementation of projects financed by the Structural Funds and the Cohesion Fund.

Based on the above, the main problems referring to the institutional framework and capacity related with strategic planning are as follows:

- Relations and coordination with different central institutions doing certain activities of strategic planning and coordination of policies, such as the Ministry of Finance, the European Integration Office, and the General Secretariat/Republic Secretariat for Public Policies are not precisely regulated;
- Inadequate structure and competencies of the General Secretariat;
- Overlapping of competencies among ministries enabled by shortcomings of the Law on Ministries;
- Inadequate institutional framework for project implementation.

An “ideal” example of a project in which competencies are not clear is a project of construction of the Wastewater treatment plant Veliki bački kanal in the municipalities of Vrbas and Kula, EUR, 9.5 million worth. Because of undefined competencies it is not clear who the project leader is, and there have been additional expenses for securing the extension of the sewerage network, while additional assets have not been provided for, and there is a serious risk that, as a “result”, we get a plant which will not work at full capacity, if being able to work at all.

Recommendations for improvement of institutional framework

The prerequisite for the improvement of the institutional framework for strategic and operational planning is political support, which would enable the establishment of a clear institutional framework, with institutions the competences of which do not overlap and with institutions that have a sufficient number of qualified staff to perform the duties prescribed by law.

For many years one of the main causes of the strategic planning problem is the Law on Ministries, which allows overlapping of competencies among ministries. The solution to this problem is simple; creators of the Law on Ministries should simply specify a certain number of ministries with clearly defined competencies that do not overlap. The best solution would be to identify the ministries and their competencies for a certain period of time (for example seven or ten years) and upon expiry to revise the decision. This would ensure certainty and continuity and avoid all problems caused by frequent changes of governments and creation of new ministries, by overtaking competencies and employees, etc.

Also, the term "core of the government" is often used. It is not about number 11 Nemanjina Street as the seat of the Government, but about leaders of strategic planning. At this moment, there is no official definition/decision about which authorities comprise the "core of the government", but taking into account competencies and European integration guidelines, it can be concluded that the "core of the government" consists of the General Secretariat / the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process (which plan and coordinate policies and monitor their implementation), the Republic Legislative Secretariat (building, monitoring and improvement of the legal system), the Ministry of Finance / Budget Department and the Department of Macroeconomic and Fiscal Analysis and Projections (budget planning and macroeconomic analysis) and the European Integration Office (coordination of the European integration process and planning and monitoring the international development assistance).

As noted in the Report on evaluation of international development assistance, "the best practices in establishing policies, a detailed problem analysis, defining objectives, options, selection of instruments, development of strategies and action plans – should become a common standard across the state administration [...] Serbia needs a strong "core of the government" to set standards for pursuing policies and organize inter-institutional cooperation, both in the case of the state budget funds and in the case of international development assistance, especially in the spirit of the upcoming negotiations on EU membership²²". In practice, the above means that in order to improve the system of strategic planning, it is necessary to define mutual relationships of these bodies in relation to the improved system of strategic planning and establish more frequent and more operational relations between them (for example, from the institutional point of view, before a specific loan is determined, that is, before the Law on confirmation of a certain loan enters the procedure, it is necessary that the General Secretariat/the Republic Secretariat for Public Policy, the Ministry of Finance and the European Integration Office, in consultations with the line ministry, provide a certificate of fiscal space for a loan, the purpose and readiness of a loan for implementation. At present, such a mechanism does not exist, but the loans "are pushed" by the line ministries, and the Ministry of Finance, after checking the fiscal space for a loan, conducts only a technical procedure of loan approval).

In the institutional setting, it is very important to note which institution should be the pillar of National Development Plan preparation. Taking into account the capacity of the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process, which at the same time performs the duties of the NIPAK Technical Secretariat, many years of practical experience in planning and the fact that this sector will be responsible for introduction of sector approaches within IPA II in the future, as well as for the overall coordination of planning and programming of the Structural Funds and the Cohesion Fund, and that the competence

of this sector will be extended, we can conclude that it is this sector that should be the pillar of the National Development Plan preparation. A special issue is the position of this sector within the public administration and its link with the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat/the Republic Secretariat for Public Policy. This position should be determined no later than one year before the preparation of the National Development Plan. As for the position of the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat within the system of state administration, it is possible that this sector remains a part of the General Secretariat, but also that it becomes a separate state body.

The institutional framework for project management should be guided by the system for Structural Funds and the Cohesion Fund managing. There are two ways to improve the existing institutional framework which is inadequate in respect of these requirements:

- To expand the Department for Contracting and Financing of EU Funded Programs and at one point to carry out its "decentralization" (transfer of competencies, tasks and staff to other government bodies);
- Determine which of the existing institutions have good prospects in the system of Structural Funds and the Cohesion Fund management system and additionally strengthen their capacities (for example, direct implementation of loans through these institutions).

The third way implies forming Project Implementation Units, also known as PIU. However, in the following period forming these units should be suspended, i.e. they should be formed only if there are substantiated reasons and if no other institution is capable of implementing the planned projects, i.e. upgrade the existing PIU which perform their activities well.

Taking into account limited possibilities for employing new civil servants, delay in introduction of decentralized system of managing IPA assets, ambitious European agenda, etc., this option is imposed as the optimal one. Therefore, it is necessary to analyze the existing institutional framework for managing projects in all sectors relevant for the Structural Funds and the Cohesion Fund (transport, environment, energy industry, competitiveness, and human resources), determine their disadvantages and advantages and define the perspective of improvement and development of institutional framework. The existing PIUs should be involved in this analysis in order to determine which of them have prospects of taking over certain obligations in the following period in relation to the Structural Funds and the Cohesion Fund managing.

7. Human resources

Current situation

In order to establish a favorable strategic and legal framework, which would include development and investment plans, funding for project technical documentation and implementation, institutions which are in charge of strategic planning and project management must have an adequate number of trained staff. Unfortunately, that is not the case now.

In case of administrative capacity, lack of staff retention policy poses a great problem, which is confirmed in the 2013 Progress Report: "With regard to administrative capacity, the Commission has completed an audit in preparation for transferring management of IPA components I and II and

has noted that further efforts are needed to ensure an adequate staff retention policy in line with the anticipated workload²³. This policy entails a means of motivation for civil servants (e.g. higher salaries for certain positions, professional development, opportunity for promotion, by allowing certain bodies to have more senior advisors than prescribed, etc.). Government's recent decision to impose solidarity tax and general salary cuts for public administration will have a negative impact on sustainability of capacities. It is realistic to expect that most civil servants, particularly young ones with more than five years of experience, will start looking for new jobs, and some will definitely find them. This will have a negative impact on institutional capacities and on tasks that certain bodies carry out.

In terms of human resources, another condition for functionality and sustainability of any system of public administration is adequately qualified staff. Unfortunately, with a few exceptions, civil servants currently do not possess adequate knowledge or skills for planning (e.g. policy making and coordination, impact assessment, etc.), infrastructure project preparation and management, monitoring and assessment.

All this said, in terms of human resources, main problems in strategic and operational planning are the following:

- Insufficient staff for strategic and operational planning;
- Lack of staff retention policy;
- Insufficient knowledge for the tasks of strategic planning, project preparation and management, monitoring and assessment.

In order to achieve minimal functionality of a decentralized IPA funds management system, the European Integration Office understaffed by 14 employees, and the Ministry of Finance by 25. The Budget Sector has 39 vacancies, out of which 24 are filled, and there is no estimate of how many more employees are needed to take over the tasks of program budgeting and fulfill the requirements of accession negotiations.

The Sector for Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat has 6 employees, which is insufficient for the complex tasks this sector is supposed to perform.

Recommendations for improvement of human resources capacities

As to human resources, functionality and sustainability of any system and efficient performance of public administration require an adequate number of qualified state employees. This requirement can be met only if there is a clearly defined policy of public administration reform, which includes restructuring of state-owned firms and by introducing a staff retention policy. To be more precise, state-owned firms have dozens of times as many employees than ministries and their salaries are much higher, which is not realistic. It is possible to provide an adequate number of employees on certain posts which involve strategic and operational planning by restructuring state-owned firms and allowing a number of positions which could be transferred to jobs or tasks which require more staff.

On the other hand, in order to ensure that the entire process will not turn into a simple increase in the number of state employees, it is necessary to ensure their efficiency and to retain them in service. Efficiency and sustainability can be provided by motivating state employees (e.g. higher

salaries for particular jobs, professional development, opportunity for promotion, by allowing certain bodies to have more senior advisors than prescribed, etc.). Most people would say that civil servants of the same rank should have equal salaries, because certain differentiation between them would cause dissatisfaction. However, a system which does not take into account specificities and complexities of certain jobs, particularly in those concerned with EU integration, is impractical, because employees of the same rank do not do tasks which are equally complex or important (for example, we cannot expect that the system of managing EU funds, which requires employees with specialized knowledge, can be functional if salaries of these employees remain the same). Finally, it is necessary to provide continuous training of civil servants at all levels in order to take over all new and demanding tasks.

8. Financing of strategies

Current situation

It is important to note that this chapter does not deal with the system of financial management or its advantages and disadvantages; it deals with the relation between planning and finance.

As to financing of priorities and measures outlined in these strategies, the financial framework includes the Budget System Law, Budget Law and Fiscal Strategy, of which the latter includes Medium Term Expenditure Framework. In 2009 the Budget System Law introduced a medium term expenditure and public investment framework, a 3-year budget and fiscal risk assessment, which is submitted with the annual budget. The rationale for these changes is the intention to improve medium term planning by incorporating a medium term expenditure framework into the national budget so as to improve the predictability of public funds intended for government-funded institutions, and at the same time, to prevent cyclic expansion of running expenses. A medium term framework is also introduced into investment planning as a necessary condition in the process of defining strategic development projects. Furthermore, the Budget System Law provides conditions for using EU development aid and gives Serbia a legal framework for fulfilling its obligations related to EU funds management.

Multi-year fiscal projections are made as part of the Medium Term Expenditure Framework and are used in setting limits for particular sectors by requesting line ministries to submit their budget proposals within this framework. Multi-year fiscal projections are used to determine funds within the budget (in the future) and are part of the Fiscal strategy for the calendar year and of projections for subsequent two years. However, the relation between multi-year assessments and subsequent limits in annual budget remain unclear, which also holds true in case of the relation between ways of prioritizing and limits. Sector strategies are prepared for all major sectors, but since there is no functional Medium Term Expenditure Framework (MTEF), strategies do not cover assessment of investment expenditures and running expenses. Likewise, the Government Rules of Procedure require that a rationale which includes an estimate of financial resources necessary for the implementation of the particular act is provided only for legislative acts of the Government, but not for strategies, Fiscal Strategy included. The Rules of Procedure require that proposed development strategies or Fiscal Strategy should contain explanations of all relevant issues, although there is no mention of what relevant issues are.

The Budget System Law provides for introduction of program budgeting in 2015, and first official version of Program Budgeting Methodology Instructions was finalized in February 2014. The aim of these instructions is to regulate setting and use of the program budget of the Republic of Ser-

bia, of state and provincial administration, of local self-government units and legislature. Line budget is focused on expenditures on the basis of economic classification (e.g. salaries, expendable materials, goods and services, etc.). On the other hand, program budget classifies expenditures according to measures and competencies of the particular governmental body or agency, i.e. provides the following information: purpose of expenditure, relation between expenditure and strategic goals and what results are achieved. Introduction of program budgeting gives a clearer picture of the relation between priorities and the budget and the budget is thus more transparent.

On the basis of the above information, main problems in financing of strategies are the following:

- Strategies do not include cost estimate and the relation between strategic planning and budgeting remains unclear;
- Unclear relation between multi-year estimates and subsequent limits in the annual budget, which also holds true in case of the relation between ways of prioritizing and limits;
- Program budgeting has not been introduced yet.

Recommendations for the improvement of financing of strategies

It has already been mentioned that the General Secretariat is developing a Strategic Planning Methodology, while the Ministry of Finance developed a Program Budgeting Methodology. Developing these documents provides an opportunity to ensure a strong relation between strategic planning and budgeting. And in order to achieve this, it is necessary to ensure these documents are complementary by establishing a set of coherent activities and deadlines, by linking strategies, mid-term plans and the Government Annual Work Program with budget planning, while special attention should be paid to the necessity of multi-year planning. However, in order to ensure that strategies contain an estimate of costs in the forthcoming period, it is also necessary to develop a strategy-making and action plan methodology which would provide for this obligation. Apart from that, it is necessary to amend the Government Rules of Procedure so as to provide that strategies must be supported by a rationale which would contain an estimate of costs necessary for their implementation.

After many years of piloting, the Budget System Law provides for program budgeting as of 2015. In practice, this means that the respective methodology is adopted in early 2014 and to provide intensive training so as to enable bodies in charge to implement the new budget planning scheme. It can reasonably be expected that future programs will correspond to the structure of the Government, that is, to particular ministries. However, in accordance with the requirements of the sector approach, it is also necessary at least to provide for grouping of particular programs according to sectors which have already been mentioned and the role of the General Secretariat/Secretariat for public policies so as to make programs complementary. This will enable better connection between single programs which are interrelated.

As to EU-funded programs and projects, it is necessary to provide means for their co-financing and pre-financing. Due to lack of means for pre-financing and/or co-financing of projects, funds that have practically been granted might go to the waste, or certain projects might not be approved because financing needs were not properly stated. For that reason, and taking into account good practices of EU member states, co-financing and pre-financing mechanisms should be introduced.

9. Project preparation and management

Current situation

Using the data from line ministries and state-owned companies, in mid-2013 the Ministry of Finance and Economy made a report on disbursement of project loans granted to Serbia by international financial organizations and other foreign creditors. The available data indicate that credit agreements had been made without preparing technical documentation of the project, leaving property legal issues unsolved, or in case of completed projects, without obtaining necessary permits and documentation and the like. Many loan agreements are annexed, deadlines are most often extended, while the beginning of project implementation is often delayed. There have been instances of loans that have been approved and effective for more than four years, while their disbursement was between 0 and 10%. Out of the total of EUR 4.5 billion, the amount used was EUR 1.1 billion (25%), and the average time after the effectiveness date is 2.5 years. Apart from that, as to disbursement of grants, there were difficulties in implementation of infrastructure projects in the environment sector²⁴.

According to the 2013 Progress report, there is a "lack of coherent sector strategies and of strategically developed investment plans, resulting in a weak project pipeline, remains an issue of concern in some sectors. The capacity of potential final beneficiaries to produce project documentation in line with IPA requirements needs to be improved".²⁵ There are no strategies without projects, and there are no projects without supporting plans and project's technical documentation. Current experience has not only shown that the number of projects ready for implementation is insufficient, but also that those supported by technical documentation face obstacles in implementation. Similarly, as can be seen in the experience of the member-states, that one of the main reasons for insufficient utilization of Structural Funds and Cohesion Fund is faulty project documentation.

Document entitled "Obstacles to Infrastructure Development", which was prepared as part of the European Partnership with Municipalities Program, financed by the EU and the Government of Switzerland, analyzes challenges to infrastructure development in 25 municipalities in the south and south-east of Serbia and can be equally applied to the entire territory. The document states that planning in general, and particularly the kind of planning focused on implementation of infrastructure projects through investment plans, is an area which requires more coordination between municipality leaders and expert departments both in short and long term. Local self-governments lack comprehensive planning docu-

Undisbursed loans entail commitment fees, which is another burden to the budget of the Republic of Serbia, there is an outflow of funds, and no developmental effects. In 2012 more than 2% of BNP was spent on repayment of interests. According to projections 2.6% of the budget will be spent on repayment of interests in 2014. Have we learned something from that?

We are using loans to finance the highway, technical documentation was not timely prepared, and legal property issues have not been solved, which is why we did not use the grace period and now we have to pay commitment fee and funds remain undisbursed. Instead, we should have been prepared for this project, it should have been completed in time, started collecting road tolls and repaid the interests from toll revenue.

mentation. For example, failure to make and adopt spatial plans, key documents which provide guidelines for future planning, is the first obstacle to designing infrastructure projects at the local level. Furthermore, adopted local plans seldom reflect real development needs. Detailed regulation plans are often developed only if there are potential investments into a particular project. Since it can take several months to develop and adopt these plans, this approach can discourage investors and result in investment withdrawal. Finally, the reasons for such a situation are lack of municipal capacities to design planning documentation and financial constraints that prevent them from entrusting these duties to third parties²⁶. Furthermore, there are clear indications that the real estate cadastre is just another bottleneck in the process of planning and designing infrastructure projects.

A significant problem identified by the EU Delegation and European Integration Office is the fact that in project readiness assessment the quality of project documentation is often not taken into account. Inappropriate and incomplete documentation contribute much to delays in preparation and implementation of infrastructure projects in Serbia, which in turn causes delays in tender procedures, slow implementation and slow absorption of available funds and higher costs due to unforeseen works. By way of illustration, public procurement procedures are often carried out without paying much attention to specificities of the project, which leads to low quality of technical parts of tender packages related to infrastructural procurement. After the procurement procedure, contracts signed with contractors do not reflect modern ways of implementation of infrastructure projects and very often conflict with the mode of the tender, which often causes disputes. Since costs of preparing huge infrastructure projects can even amount to 10% of the total project value, selection of projects with inadequate documentation can also lead to low utilization of the respective budget. The problem of low-quality documentation is related to the problem of line ministries' and public utility companies' inability to follow preparation of technical documentation for infrastructure projects²⁷. Apart from that, there are another two major deficiencies in current procedures for selection of infrastructure projects to be financed. First, little attention is paid to strategic importance of a project, or its potential contribution to achievement of strategic goals. Second, readiness assessment of a project does not take into account the quality (reliability of data) and completeness of planning and technical documentation. In order to solve these problems, the Government adopted Methodology for Selection and Prioritization of Infrastructure Projects, an integral part of the document entitled "National Priorities for International Assistance in the Period 2014- 2017, with projections until 2020", which contains two key elements: strategic relevance assessment and project fault assessment before final selection. This methodology is applied to transportation, environment, energy and business infrastructure, and this concept of methodology can be applied to all sectors in which capital projects can be identified.

Analyses have shown that the current legislation, particularly laws that regulate construction and planning, does not pose an obstacle to preparation of technical documentation necessary for fund raising and implementation of local infrastructure projects. However, it is a fact that the current Law on Planning and Construction does not recognize modern solutions used in construction business, and particularly standardized international contracts of which the 'design and construct' principle is typical (yellow FIDIC). This principle means that the contractor, who is responsible for designing the project documentation, is given more freedom in defining best possible technical and technological solutions for the construction project in the contract.

The completion of Žeželj's Bridge is running two years behind schedule.

The Southern section of Corridor 10 has been built for years.

The Golubac Fortress Reconstruction Project was conditionally approved in 2010, and preparation of tender documentation began in early 2014.

Based on the aforesaid, main problems in project designing and subsequent project management are the following:

- Urban design layout and planning documentation are not ready;
- Projects' technical documentation is not ready;
- Inadequate Law on Planning and Construction.

Recommendations for improving project preparation and project management

Methodology for Selection and Prioritization of Infrastructure Projects might face some resistance, because it introduces a system and abandons the "everything is equally important, we will do it, it will happen" principle, etc. However, in order to improve the system of project preparation and management, it is necessary to fully implement the appropriate methodology. This methodology pertains to the following sectors: transportation, environment, energy and business infrastructure, and this concept of methodology can be applied to all sectors in which capital projects can be identified. By applying this methodology, about 100 strategically important projects were defined. Apart from these projects, this methodology will also tackle the issue of project readiness, on which basis it would be possible to develop a feasible plan and sequence of steps for their implementation. In order to ensure that available funds will be used for infrastructure projects of strategic importance, i.e. the projects which will contribute most to the achievement of national strategic goals, and to avoid difficulties and delays in the implementation of infrastructure projects, future identification and prioritization of infrastructure projects should follow the defined methodology, regardless of how they are financed. Practically, this means that the aforementioned Methodology should be the same methodology as the one laid down in Article 54a of the Budget System Law. Namely, this article stipulates that the Government shall, upon a proposal by the ministry in charge of finance, further regulate capital project content, preparation and assessment. Apart from that, efforts should be devoted to preparation and implementation of 100 projects that have been identified so far, rather than identifying new ones or making new brochures in which they will be presented. In this way it would be possible to define a single list of projects on which all activities related to preparation, financing and implementation of the project would be focused.

Apart from the implementation of the Methodology, in the forthcoming period considerable funds in the state budget and budgets of local self-governments should be appropriated for the preparation of urban layout, planning and project technical documentation. State agencies must not think that IPA funds for this purpose, i.e. for PPF or single projects, are sufficient. The dynamics of designing urban layout and planning documentation should be in accordance with the list of strategically relevant projects produced in the first stage of the Methodology. Similarly, in order to ensure a better quality of this documentation, the ministry in charge of town planning must be involved in all stages of drafting this documentation, and not just in the final stages, when the documentation has already been prepared and submitted for approval, which usually involves delays due to many comments and objections. Since drafting of urban planning and technical documentation of the projects is an expensive and time-consuming process, these activities should be carried out continuously.

It is necessary to introduce the concentration principle in infrastructure project planning. This means that strategically relevant programs should be financed by combining available funds, i.e. by focusing them on the implementation of the project in question. At the moment the situation is such that in spite of facing problems in implementation of projects financed from the funds for project loans, EU funds or bilateral donors, line ministries issue calls for project proposals; the projects will be financed from budget funds for sporadic actions.

Another systemic solution in this field pertains to amendments and supplements to the Law on Planning and Construction. Starting with modern trends which are applied in construction business, and particularly with standardized international agreements which are typically based on the 'design and construct' principle, the current Law on Planning and Construction does not sufficiently take into account the foundations of this concept of construction. The 'design and construct' principle means that the contractor, who is responsible for designing the project documentation, is given more freedom in defining best possible technical and technological solutions for the construction project in the contract. In construction of buildings and facilities financed from international development funds, primarily IPA, a great majority of projects is based on this principle. During the implementation of these projects, design and construction patterns of this kind revealed certain inconsistencies between that approach and the regulation of urban planning system, content of town layout plans, procedures of designing and content of project documentation in the Republic of Serbia, and the Law on Planning and Construction must therefore be amended.

10. Monitoring and assessment system

Current situation

Monitoring and assessment of the impact/effect of strategies, measures and projects is a necessary precondition for improvement of efficiency of public policies in goal achievement. Unfortunately, there is no adequate monitoring and assessment system in Serbia. One of the reasons for this is the fact that most strategies do not comprise initial and final values for achievement of goals and results, and thus monitoring and assessment are not obligatory, due to which we are unaware of good and bad movements and guidelines for future decisions. In case of initial and final values(indicators),we have to be careful. Due to lack of appropriate knowledge and valid statistical data, there are risks of setting unrealistic indicators and of turning them into policy yardsticks instead of doing the opposite. Monitoring and assessment of the impact/effects of public policies requires management and coordination capacities, capacities for data survey and collection, data analysis, report drafting and for presentation of monitoring findings to policy makers (National/local assembly, Government) and other stakeholders (civil society and private sector).

Based on the aforesaid, main problems in monitoring and assessment are the following:

- Lack of formal legal and institutional framework for monitoring and assessment;
- Lack of competency in monitoring and assessment, lack of awareness about their importance.

What are the effects of funds from the National Investment Plan (NIP)?

Recommendations for promoting the monitoring and assessment system

There is no adequate monitoring and assessment system and one should be built on a firm basis. The only thing that currently exists is reporting, which should involve monitoring and assessment, but that is not the case. Reporting comes down to collection of information and presentation of the activities which have been carried out. What is missing is a system based on indicators, which must involve monitoring of planned activities in order to ensure that results, goals and indicators

have been achieved, monitoring (ex-ante, mid-term and ex-post) of undertaken activities so as to determine their appropriateness, effects, etc. Monitoring and assessment gain further importance by introducing program budgeting, which will mean that each sector has programs, and that these programs will have certain strategies and indicators.

However, in order to make this system functional, it is necessary to make monitoring and assessment a legal requirement and establish an adequate institutional framework (e.g. assessment may be carried out by independent bodies or assessors independent from bodies in charge of the activities subject to assessment; monitoring means that all activities are monitored, while another body (General Secretariat/ Public Policy Secretariat) monitors those who monitor etc.).

11. Conclusion

Benjamin Franklin's saying "If you fail to plan, you are planning to fail" tells enough about the importance of the subject of this paper. Improvement of strategic and operational planning should be viewed as a necessity to improve the process of making interconnected decisions in the present so as to ensure a better future. Only if we take into account some of the crucial problems in Serbia, such as high unemployment rates or underdeveloped infrastructure, while being aware of how much revenue from privatization was spent and of funds from loans are still not utilized, it becomes perfectly clear that it is necessary to adopt a different approach to planning and implementation of strategic decisions.

The quality of strategic and operational planning depends on several related factors: political will to institutionalize the center of decision-making within the framework of the public administration system, to establish a clear institutional framework for planning with precisely defined jurisdictions and coordination mechanisms, to define a single strategic framework and action plans for implementation, to link strategic planning and budget planning, to promote project planning and management system and to introduce a monitoring and assessment system for programs and projects. Another two interrelated factors are a sufficient number of qualified state employees and participation of civil society in the process of strategic and operational planning and in monitoring and assessment of currently implemented programs and projects.

Implementation of recommendations from this paper would allow the Government of the Republic of Serbia to improve decision making and functioning of bodies and agencies which form the core of the Government (General Secretariat/Public Policy Secretariat, Ministry of Finance, the Republic Secretariat for Legislation and European Integration Office) and line ministries in order to achieve more effective results when funds are limited. On no account should we forget that implementation of these recommendations would improve capacities to envisage different situations to which we would adapt more quickly, activities of state bodies would work more transparently and good practices of strategic and operational planning would be transferred to provincial bodies and bodies of local self-governments.

Any delays in implementation of these recommendations would simply be sweeping them under the carpet for a limited period. If we are not capable of solving them ourselves, then someone else will do it for us during EU accession negotiations as part of Chapter 22 entitled Regional Policy & Coordination of Structural Instruments. If we keep waiting, there will be a great risk of joining the EU unprepared and failing to implement the plan devised by the EU and thus unable to utilize EU funds intended for member states.

The worst case scenario would be to retain the old ways of planning, reaching and implementing decisions.

12. Annex

Table 2. Overview of problems, recommendations and bodies in charge

Problems	Recommendations	Bodies in charge
Planning system and strategic framework		
<ul style="list-style-type: none"> • There is no single strategic framework; • It is unclear how the priorities are defined; • It has not been defined how the Government Program (Keynote address of the Prime Minister) is implemented in practice; • There is no clearly defined methodology for the development of sector strategies; • A great number of strategies that are mutually conflicting and set unrealistically high goals; • The planning system is based on annual planning, which allows an easy change of the medium-term goals. 	<p>In the following medium term, the guideline in defining the priorities should be the National Plan for the Adoption of the EU Acquis 2014-2018 (NPAA). But also, it is necessary to think about the necessity of prioritization in order to clearly define the developmental potentials of Serbia (it is impossible that everything is equally important) and at the same time to determine the direction of the future negotiations on the accession to the EU (as an illustration, if the energy sector were of a higher priority compared to the environmental sector, in practice, this would mean greater investments in the energy sector and at the same time it would direct the interim periods within the Chapter 27 - Environment - of the negotiations).</p> <p>It should be provided that the General Secretariat/the Republic Secretariat for Public Policy, based on the keynote address of the Prime Minister, shall prepare a plan for the implementation of the Government program.</p> <p>Preparations of the National Development Plan should begin three years prior to joining the EU.</p> <p>In order to solve the problem of the strategies' poor quality and their mutual inconsistency, it is necessary to prepare a methodology for the development of the strategies and action plans.</p> <p>It is necessary to make a proper Government decision which would, for each of the sectors and thematic areas, define whether the sector shall have an overarching strategy and what the sub-sector strategies shall be and to consolidate sector strategies by the end of 2016.</p> <p>It is also necessary to adopt a Methodology of integrated planning system, which is being developed by the General Secretariat.</p> <p>The framework of strategic and operational planning should be set at the level of law.</p>	<p>General Secretariat/ Republic Secretariat for Public Policies</p> <p>European Integration Office</p>

Problems	Recommendations	Bodies in charge
Institutional framework		
<ul style="list-style-type: none"> • Relations and coordination with different central institutions doing certain activities of strategic planning and coordination of policies, such as the Ministry of Finance, the European Integration Office, and the General Secretariat/Republic Secretariat for Public Policies are not precisely regulated; • Inadequate structure and competencies of the General Secretariat; • Overlapping of competencies among ministries enabled by shortcomings of the Law on Ministries; • Inadequate institutional framework for project implementation. 	<p>Creators of the Law on Ministries should clearly state competencies of the ministries so as to avoid overlapping.</p> <p>It is necessary to define the relations between the bodies that make up the “core of the government” (Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat (planning and coordination of policies, monitoring of their implementation), the Republic Secretariat for Legislation (establishing, monitoring and improvement of the legal system), Budget Department of Ministry of Finance (budget planning) and European Integration Office (coordination of EU integration processes, planning and monitoring of international development aid)) in relation to the improved system of strategic planning. This means establishing better communication and more operational relations between them.</p> <p>National Development Plan should be prepared by Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat. The link between this department and the General Secretariat should be determined one year before the preparation of the National Development Plan.</p> <p>As for the position of the Department of Planning, Monitoring and Policy Coordination and Activities Related to EU Integration Process of the General Secretariat within the system of state administration, it is possible that this sector remains a part of the General Secretariat, but also that it becomes a separate state body.</p> <p>It is necessary to analyze the existing institutional framework for managing projects in all sectors relevant for the Structural Funds and the Cohesion Fund (transport, environment, energy industry, competitiveness, and human resources), determine their disadvantages and advantages and define the perspective of improvement and development of institutional framework.</p>	<p>General Secretariat</p> <p>Ministry in charge of public administration</p> <p>Ministry of Finance</p> <p>European Integration Office</p> <p>Republic Secretariat for Legislation</p>

Problems	Recommendations	Bodies in charge
Human resources		
<ul style="list-style-type: none"> • Insufficient staff for strategic and operational planning; • Lack of staff retention policy; • Insufficient knowledge for the tasks of strategic planning, project preparation and management, monitoring and assessment 	<p>Adequate number of sufficiently qualified civil servants.</p> <p>A means of motivation for civil servants, i.e. staff retention policy.</p> <p>Continuous training.</p>	<p>Ministry in charge of public administration</p> <p>Ministry of Finance</p> <p>Human Resources Department</p>

Financing of strategies		
<ul style="list-style-type: none"> • Strategies do not include cost estimate and the relation between strategic planning and budgeting remains unclear; • Unclear relation between multi-year estimates and subsequent limits in the annual budget, which also holds true in case of the relation between ways of prioritizing and limits; • Program budgeting has not been introduced yet 	<p>To amend the Government Rules of Procedure so as to provide that strategies must be supported by a rationale which would contain an estimate of costs necessary for their implementation.</p> <p>To consistently apply Program Budgeting Methodology. Since it is only available online, it should be formalized in some way.</p> <p>It is necessary to provide for grouping of particular programs according to sectors which have already been mentioned and to define the role of the General Secretariat in making programs complementary.</p> <p>It is necessary to provide a mechanism for national co-financing and pre-financing of EU-funded projects.</p>	<p>General Secretariat/ Republic Secretariat for Public Policies</p> <p>Ministry of Finance</p>

Problems	Recommendations	Bodies in charge
Infrastructure project preparation and management		
<ul style="list-style-type: none"> ▪ Urban design layout and planning documentation are not ready; ▪ Projects' technical documentation is not ready; ▪ Inadequate Law on Planning and Construction. 	<p>In order to ensure that available funds will be used for infrastructure projects of strategic importance, i.e. the projects which will contribute most to the achievement of national strategic goals, and to avoid difficulties and delays in the implementation of infrastructure projects, future identification and prioritization of infrastructure projects should follow the Methodology for Infrastructure Projects Selection and Prioritization, which is an integral part of the document "National Priorities for International Assistance (NAD) 2014-2017 With Projections Until 2020".</p> <p>The Methodology for Infrastructure Projects Selection should be the same as the one laid down in Article 54a of the Budget System Law.</p> <p>It is necessary to appropriate considerable funds in the state budget and budgets of local self-governments to prepare urban layout, planning and project technical documentation and to keep working on its preparation. The ministry in charge of town planning must be involved in all stages of drafting this documentation, and not just in the final stages, when the documentation has already been prepared and submitted for approval.</p> <p>Law on Planning and Construction should be amended so as to implement the 'design and construct' principle (yellow FIDIC).</p>	<p>European Integration Office</p> <p>Ministry of Finance</p> <p>Ministry in charge of urban planning</p>
Monitoring and assessment system		
<ul style="list-style-type: none"> • Lack of formal legal and institutional framework for monitoring and assessment; • Lack of competency in monitoring and assessment, lack of awareness about their importance. 	<p>It is necessary to make monitoring and assessment a legal requirement and establish an adequate institutional framework.</p> <p>To introduce a system based on indicators, which must involve monitoring of planned activities in order to ensure that results, goals and indicators have been achieved, monitoring (ex-ante, mid-term and ex-post) of undertaken activities so as to determine their appropriateness, effects, etc.</p>	<p>General Secretariat/ Republic Secretariat for Public Policies</p>

13. Endnotes

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